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CONSIDERATION OF ISSUES ARISING FROM THE WORK PROGRAMME OF THE AD HOC WORKING GROUP

(c) TECHNICAL COOPERATION ON

Technical cooperation for the expansion of trading opportunities for developing countries

Report by the UNCTAD secretariat

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INTRODUCTION

1. In accordance with its terms of reference, the Ad Hoc Working Group on Expansion of Trading Opportunities for Developing Countries is "to analyse prospects for, and examine ways of, expanding the trade opportunities of developing countries for the diversification and growth of their export supply capability and for the enlargement and improvement of their export market opportunities". In this context "the Working Group should identify for consideration areas in which technical cooperation should be strengthened". 1/

2. In line with the work programme adopted at its first session, 2/ the Ad Hoc Working Group decided at its second session to take up the matter of technical cooperation at its third session. 3/ Accordingly, this report has been prepared to assist the Group in its deliberations on technical cooperation under item 3 (c) of the provisional agenda for the third session. Based on the secretariat's experience in the matter of technical cooperation, the report highlights the general requirements and needs of developing countries for technical cooperation with respect to building export capabilities, expanding export market opportunities, and strengthening export promotion and marketing capabilities.

Chapter I

TECHNICAL COOPERATION FOR ENHANCING THE EXPORT SUPPLY CAPABILITIES OF DEVELOPING COUNTRIES

3. Sustained export growth of the developing countries depends crucially on two major parameters: an open international trading system offering the fullest access to export markets, and the existence of internationally competitive supply capabilities in the developing countries.

4. Many developing countries still face the task of building internationally competitive production bases with efficient agricultural, manufacturing and services sectors. The main impediments these countries face on the supply side include: lack of investment resources (including external financial resources); shortages of skilled labour; insufficient technological capabilities; inadequate physical infrastructure; and insufficiently developed services sectors (providing services such as banking, telecommunications, transportation, marketing and distribution for the manufacturing and agricultural sectors). These problems may remain difficult to overcome because of the lack of an enabling environment resulting from inappropriate policies and cumbersome procedures. Also, lack of political stability and continuity in government policies can be a stumbling-block as they do not allow for the longer-term planning horizon needed by entrepreneurs and policy-makers in fostering the development of internationally competitive supply capabilities.

5. Although the responsibility of developing an export supply capability rests essentially on the developing countries themselves, international assistance, whether bilateral or multilateral, has an important role to play. The nature and extent of assistance required or needed to enhance this export supply capability vary from country to country, depending upon economic circumstances, particularly the development stage of industries and institutions. An attempt is made in this chapter to describe these needs and requirements.

A. Developing policy strategies to expand export capabilities

6. Developing countries need to develop a coherent and effective policy framework for addressing critical constraints on building internationally competitive export supply capabilities. Experience of some countries that have been successful in this area suggests that an effective policy framework should contain both general and sector-specific policy elements. At a general level, the policy orientation has been to ensure that prerequisites for building internationally competitive export capabilities are met. These include: sound macroeconomic management favouring price stability and a realistic exchange rate; fostering of entrepreneurship and competition in the economy; development of human resources and technology; full mobilization of domestic resources, including through growth-oriented savings and investment policies; improvement of infrastructure (e.g. transportation systems, telecommunication, institutional capacity, etc.); and availability of external financial resources. Specific measures and incentives targeted to sectors and industries with an export potential have included fiscal and financial incentives; an import policy aimed at optimizing access to imported inputs

(such as raw materials, components, machinery or spare parts) while at the same time providing temporary protection from import competition to nurture the development of "infant" industries.

7. While lessons can be drawn from the successful experience of these countries in the design of policies and strategies for exports development, each developing country would need to choose its own policy mix based on its economic circumstances, particularly the developmental stage of its industries and market-based institutions. The objective of technical cooperation in this context would be to facilitate the development and implementation of effective policy strategies and measures in developing countries for addressing critical constraints on diversifying and strengthening their export base through, inter alia, access to opportunities for exchange of experience among countries, analytical and policy research information, and technical advice.

8. In particular, technical cooperation activities may address, on a broad base, problems encountered by developing countries in the design, implementation and evaluation of their industrial and trade policies. Four areas merit particular attention: export incentive schemes, sectoral development programmes, import liberalization and technological and human resource development.

9. Experience shows that the design of export incentive schemes and their effective implementation can be complex undertakings. Many developing countries require assistance to design incentive measures that can be dovetailed to the particular requirements of national economies; to ensure an effective administration of incentives without unnecessary bureaucratic red tape; and to monitor the economic cost of incentives to the domestic economy (e.g. by the establishment of transparent mechanisms). There is a particular need for assistance in the case of technically sophisticated export promotion tools such as export credit insurance and guarantee schemes.

10. Likewise, the design and implementation of sectoral development programmes to enhance the international competitiveness of selected industries are challenging tasks. Experience points to a number of critical points: the choice of the "right" sector for promotion; the correct identification of the constraints of promoted industries; the design of support measures in response to sector-specific needs; and the application of appropriate safeguards to ensure that sectoral support does not become a source of permanent economic rent.

11. Appropriately designed and implemented import liberalization strategies have proven to be an effective tool in improving resource allocation and international competitiveness of exports. The many problems encountered by developing countries in the implementation of such schemes, and failures to achieve the objective of strengthened competitiveness, reflect a significant need for technical assistance. The scope for technical cooperation is substantial. Major problem areas in the design of liberalization strategies are the sequencing of reforms, the "tarification" of non-tariff barriers, the pace of import liberalization, the phasing of tariff reductions and the proper balance between "wholesale" and sector-specific liberalization. Wide differences among developing countries in their economic, social and political conditions require strategies which are tailored to particular needs. The

Trade and Development Board, at its thirty-ninth session, recognized in its agreed conclusions that technical cooperation could assist in improving the design and implementation of trade liberalization programmes. It was also held that international support should allow for pluralism of approaches towards trade policy reforms.

12. Technological and human resource development, including the acquisition of skills, technical education and disciplined work habits, are vital for developing competitive export sectors and for sustained development of export capabilities. Developing countries are making efforts to adapt their technology policies and to strengthen their human resource base and institutional arrangements, both for technology acquisition from abroad and for its domestic absorption, adaptation, generation and diffusion. The least developed countries are particularly affected by constraints in bringing about the technological and structural changes required for their export development and competitiveness. There is a particular need for technical cooperation to assist developing countries: in strengthening their technological and innovative capacities, including their ability to acquire, absorb and generate, use and commercialize technology, through, inter alia, the development of effective policies and measures and related institutional arrangements; and in improving skill formation and utilization (particularly in the least developed countries).

B. Strengthening investment environments to attract foreign (and domestic) direct investments

13. Given the importance of investment resources in building export capabilities and the lack of investment capital (including external financial resources) in many developing countries, domestic policies in these countries will have to be geared to creating a more favourable environment for private capital inflows. Private international capital flows are increasingly taking the form of foreign direct investment (FDI), portfolio investments and bond lendings, rather than bank lendings. Financial market liberalization, stable monetary conditions, healthy budgetary practices, strengthened money and capital markets are some of the conditions to be met.

14. FDI does not provide developing countries with just financial capital. Other elements in the package include the transfer of technology and management skills, employment creation and labour force training. Foreign firms can also stimulate domestic entrepreneurs by introducing a source of innovation and competition, and can encourage domestic investment. FDI can also have an important role in securing access to world markets for the goods produced in a host developing country.

15. The nature of FDI has also changed. In the past, most direct investment in developing countries was aimed at exploiting natural resources or, if in manufacturing industries, at substituting for imports. The latter type of investment was usually motivated by market protection, not by fostering a competitive manufacturing sector in the host developing countries. In recent years, however, manufacturing direct investment aimed at production for the export market, particularly in the investor's home country, has become increasingly important. It has centred on countries where policies have made

exporting an attractive activity, where labour is inexpensive in relation to its productivity, and increasingly, where countries have attained more advanced levels of human skills.

16. Technical cooperation activities could aim to assist Governments of developing countries in designing investment promotion programmes and strengthening institutional capacity to promote and facilitate the inflow of FDI. In particular countries could be assisted to: (i) establish policy and regulatory frameworks to attract the desired flow of investments; (ii) devise investment promotion strategies, methods and activities; (iii) establish or strengthen institutions charged with regulating and promoting foreign and domestic direct investment.

17. Export processing zones (EPZs) have in general been a successful device for attracting FDI and thus for building export capabilities. A large number of developing countries have set up EPZs as focal points for the promotion of manufactured exports, and increasingly exports of services, and for the attraction of foreign export-oriented investment. The planning, establishment and operating of EPZs require specialized expertise, besides adequate financial resources. Experience has shown that the profitability of EPZs for the host economies constitutes a sensitive point. In the case of a number of such zones, operations have apparently not generated net benefits due to planning mistakes, operational problems or the inability to attract sufficient investment to the zones.

18. Technical cooperation activities can assess the investment and export potential of the projected zones, identify optimal locations for their establishment, draft pertinent laws and regulations and advise on customs arrangements and organizational aspects of zone management. Furthermore, these activities can determine physical planning needs and the requirements in terms of infrastructure and commercial support services. Detailed cost-benefit analysis to assess the order of magnitude of foreign exchange earnings that can reasonably be expected from zone operations can also be carried out. Technical cooperation can also aim to strengthen the operational and promotional capacities of EPZs, and thus put in place effective organizational and management structures with qualified personnel, design systems and procedures for the evaluation of investment proposals and establish the capacity of the EPZs to carry out promotional activities for the attraction of export-oriented investment. The provision of training, both on-the-job and overseas, would be an important element of project activities.

C. Strengthening institutional capacities for economic policy-making and management

19. Traditional policy-making agencies of Governments of developing countries (ministries and departments of industry and trade) are often ill-equipped in terms of management, analytical and research capacities to make well-informed policy choices and to manage efficiently government programmes of incentives. In many cases, such Governments have not fully perceived the close relationship of trade, investment, and technology (including manpower skills development and technology acquisition), which necessitates an appropriate institutional arrangement within the government machinery. Such relationship calls for new systems of government coordination as well as for new mechanisms

in the governmental apparatus, all aimed at strengthening the role of the private sector in the economy. Instead of the earlier regulatory and control mentality, a cooperative and enabling environment is required from government agencies. Most developing countries have yet to develop representative, private sector institutions such as trade and industry associations and chambers of commerce. Where these institutions exist, they have in the past been primarily concerned with lobbying Governments in an environment of government regulations. What is now required is for these organizations to develop technical capabilities to service their membership. This demands new skills, and new resources in particular with regard to access to market information databases. These organizations could also be partners in technical cooperation. Lastly, most developing countries have not utilized the technical skills of universities and research institutions in the process of policy development, formulation, and monitoring. Linkages need, therefore, to be established between Governments, business, trades unions and the academic/research community to develop a consensus on effective national strategies for building internationally competitive export supply capacities.

20. Technical cooperation in institution building is therefore essential. In developing their export supply capabilities, many developing countries need technical know-how to strengthen and reorient their institutional system, and to improve their policy-making capacities. The public assistance programmes mentioned earlier should be subject to regular review to ascertain that they continue to generate net benefit. In this context, transparent mechanisms could be established to monitor the costs and benefits of such programmes. Similarly, institutional arrangements need to be made for technology acquisition and adaptation. Last but not least there is need for institutional capacity to promote and facilitate the inflow of FDI. 4/

Chapter II

TECHNICAL COOPERATION FOR THE ENLARGEMENT AND IMPROVEMENT OF EXPORT MARKET OPPORTUNITIES OF DEVELOPING COUNTRIES

21. An open international trading system offering the fullest access to export markets is a major parameter in sustaining the export growth of developing countries. Efforts to enlarge and improve the export market opportunities of developing countries are pursued in several contexts: through multilateral trade agreements, through regional integration and trade arrangements, and through bilateral and plurilateral trade agreements.

22. At the multilateral level, a major undertaking in recent years has been the seven-year-long Uruguay Round multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT). As mandated by the Punta del Este Declaration of 1986, the negotiations have covered the following subjects: tariffs, non-tariff measures, tropical products agriculture, natural resource-based products, textiles and clothing, safeguards, MTN agreements and arrangements (including anti-dumping, import licensing procedures, etc.), subsidies and countervailing measures, dispute settlement, TRIPS, TRIMs, FOGS and services.

23. While several of these subjects fall within the traditional category of market access issues, the focus of efforts to improve market access for goods and services have gone beyond the traditional consideration of border measures, such as tariffs and quantitative restrictions, that have been the focus of previous Rounds. Also, several of the issues covered by the negotiations fall within the category of rule-making and institutional matters which have a bearing not only on the distribution of rights and obligations within the multilateral trading system, but also on the competitive environment for the conduct of international trade and the scope for domestic policies to encourage the development of export industries.

24. The results of the Uruguay Round are likely to have a major impact on the trading opportunities of developing countries. Given the complex set of agreements that will have emerged, covering the wide variety of areas indicated above, technical cooperation activities will be crucial not only for assisting developing countries to implement the results of the Round through, inter alia, the adaptation of their national laws and regulations to bring them into conformity with the MTN agreements, but also for helping developing countries to identify and take full advantage of the trading opportunities available under the new multilateral framework for international trade.

25. With respect to export market opportunities, technical cooperation could aim to assist developing countries, inter alia, with information on the remaining trade control measures (e.g. by providing databases and information systems on trade control measures in major markets) affecting various sectoral categories of goods of export interest to developing countries; advisory and training services to strengthen national capacities to formulate and implement export strategies in the context of the new international trade rules (agreements) affecting market access; identification of opportunities to

increase developing countries' participation in trade in services; identification and analysis of issues relevant to the export opportunities of developing countries for possible future trade negotiations.

26. Other related trade arrangements that are likely in the years ahead to be of continuing relevance for enlarging and improving export market opportunities of developing countries include the Generalized System of Preferences (GSP) accorded by developed countries to developing countries, the Global System of Trade Preferences (GSTP) among developing countries, regional integration and trade arrangements among developing countries, and bilateral and plurilateral agreements between developed and developing countries such as, for example, the Caribbean Basic Initiative, the North American Free Trade Agreement (NAFTA), the Lomé Convention and other trade agreements concluded by the EEC with developing countries. In this context note should be taken of the possibilities for increased trade between developing countries and countries in transition in central and eastern Europe.

27. The need for technical cooperation in the broad area of special trade arrangements include:

(a) identification of ways and means for improving the GSP and other preferential trade programmes to enhance their contribution to expanded export opportunities for developing countries;

(b) technical support, including advisory services, to strengthen subregional, regional and interregional economic integration and trade arrangements among developing countries;

(c) assistance in identifying and taking advantage of trading opportunities for developing countries with countries in transition in central and eastern Europe, including inter alia, collection and dissemination of information on the changes and reforms in the foreign trade policies of these countries, and identification of new ways and means of expanding trade with these countries, particularly through the new operators and payments arrangements; and

(d) assistance in monitoring and analysing possible implications of major regional integration arrangements on the export market opportunities of developing countries, including the North American Free Trade Agreement (NAFTA), the creation of a single market by the European Community, EC's Europe Agreements with certain central and eastern European countries in transition, and various integration groupings among developing countries.

28. There are three general international trade issues which are likely to come to the fore in the post-Uruguay Round period, and which have an important bearing on the export market opportunities of developing countries. These concern the impact that environment measures, structural adjustment policies and restrictive business practices and competition policies can have on market opportunities.

29. From an environmental perspective, the expansion of trading opportunities for developing countries can involve both actively seeking new market opportunities through the promotion of environmentally friendly products, and

seeking to mitigate any adverse effects of environmental regulations, policies and standards upon their exports. Increasingly, environmental features, in addition to price and performance, are becoming a factor in determining consumer demand. Also, environmental regulations are creating new opportunities for business firms and exporters dealing with innovative, environmentally friendly technologies and products. "Green consumerism" may therefore offer manufacturers and exporters market opportunities which would allow them to gain the loyalty of environmentally conscious consumers.

30. However, environmental regulations and standards may also adversely affect the trading opportunities of developing countries by reducing the competitiveness of their exports, or in some cases even denying them access to certain markets. There are a number of reasons. For one thing, lack of information on existing and emerging environmental standards in their major markets and unfamiliarity with the administrative and testing procedures for environmentally based products certification may place developing country exporters at a great disadvantage. Secondly, the cost of compliance with standards arising in overseas markets could be high if it has to be borne exclusively by the export trade. If standards differed significantly between various export markets this problem would be compounded. Thirdly, if environmentally sound production processes and technologies have to be imported from developed countries, this could imply a capital outlay that is burdensome for capital-scarce developing countries.

31. Technical cooperation activities could aim to bridge the information gap of developing countries with respect to environmental regulations in major markets, to ensure greater coordination among Governments in the setting of environmental regulations and standards (including eco-labelling) and to reduce the cost of compliance by developing countries, particularly the least developed among them, with environmental standards higher than have existed hitherto in the world economy.

32. In a more open international trading system, the process of globalization of production and trade will put increasing focus on structural adjustment policies and their impact on export opportunities. The interests of all countries converge in having a dynamic process of change and adaptation to shifting comparative advantage and international competitiveness, and they have a common stake in policies and measures which facilitate this process. There is now compelling evidence that developed market-economy countries need to restructure or to disengage from production sectors in which they are losing competitiveness in international trade. Some more advanced developing countries may find themselves increasingly in the same position. The economies in transition face a similar problem but on a larger scale. They are having to rehabilitate almost their entire productive bases that have, by and large, lost competitiveness. Many developing countries are still engaged in a development process which involves the building of supply capabilities on a broader base rather than the restructuring of individual production sectors. Many developing countries still require external support in this regard.

33. Technical cooperation activities could focus on identifying sectors which need to undergo structural adjustment from the global point of view, the types of adjustments that would be required and feasible, and the policies and measures that would be appropriate.

34. The restrictive business practices of private firms, including the anti-competitive behaviour of large firms in domestic and international markets, can impede or negate the market opportunities of developing countries that arise from the liberalization of tariff and non-tariff measures affecting international trade. Although competition laws and regulations are often in place and enforced on the national level, in the international arena this is less so, or not at all. Developed and developing countries should expand their efforts to control RBPs which adversely affect their trading opportunities by strengthening cooperation and consultations in areas where there is an interface between trade and competition policies.

35. Although real progress could be achieved if all countries adhered to the provisions of the United Nations Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, there may be need for a new multilateral normative framework to define and structure the links between competition and trade policies. By linking competition and trade policy, the private firms' barriers to trade would thus be brought into the disciplines of the international trading system. This would safeguard the benefits of trade liberalization, reflect the realities of global competition and ensure a "level playing-field" for all trading firms and all countries, particularly developing countries and their firms.

36. In addition to assisting developing countries in the formulation and/or implementation of legislations and procedure for the control of RBPs, technical cooperation activities could aim at: providing information and analyses of the impact of RBPs on international trade, as well as the interface between competition and international trade with particular emphasis on the trading opportunities of developing countries; and developing guidelines on competition policy in international trade.

Chapter III

TECHNICAL COOPERATION FOR STRENGTHENING THE CAPABILITIES OF DEVELOPING COUNTRIES IN EXPORT PROMOTION AND MARKETING

37. Export promotion and marketing activities are complementary to, and are an important element in, national efforts to build competitive export supply capabilities and to penetrate foreign markets. The successful penetration of international markets require national capabilities to identify export opportunities through trade intelligence and market research, to develop and adapt exportable products and services to consumer needs and tastes in foreign markets, and to apply effectively marketing and promotional techniques and measures to exploit the identified export opportunities. Many developing countries especially the least developed countries, lack however such capabilities. For most developing countries efficient trade support services and facilities, in areas such as trade information and market research, product development and design, quality management, packaging, export finance, and export management training, are therefore essential for export success. These services and facilities are particularly important to small and medium-sized enterprises in the early stages of their export development efforts.

38. While a number of developing countries have been able to establish a range of export institutions, both public and private, which provide their exporters with effective trade support services and facilities in all or some of the areas mentioned above, the needs of the least developed countries remain particularly great in this field.

39. There is a need for increased technical cooperation to strengthen the institutional capacity of developing countries in export marketing and promotional activities, particularly with respect to the establishment and strengthening of public and private sector trade services institutions and facilities, and for human resource development including personnel training to manage export trade development and promotion programmes as well as all aspects of export marketing. Technical cooperation is also needed to assist in filling the gap in trade information flows between developing countries and world markets. The provision of databases and appropriate methodologies for the organization of effective trade information services in developing countries, either in a traditional manner or using technologically advanced systems and networks, is a high priority area.

40. A number of developed countries have established national Import Promotion Offices to provide market information and trade promotion services and facilities to exporters (and export institutions) of developing countries seeking to enter their markets. Assistance of this kind is particularly important for least developed countries - which have particular needs, especially in product and market diversification - to support their efforts to create an increased export capability. More developed countries should establish import promotion assistance programmes, especially for least developed countries. This would be one way of assisting these countries to meet the marketing and export promotional challenges posed by the continuing globalization of international trade.

Chapter IV

TECHNICAL COOPERATION RESOURCES

41. The major sources of technical cooperation for developing countries are the bilateral technical cooperation programmes of developed countries and the technical cooperation activities of multilateral institutions. This chapter reviews briefly current technical cooperation activities of selected multilateral institutions, particularly those of the United Nations system, in so far as they are relevant to the expansion of trading opportunities for developing countries in respect of building export capabilities, expanding export market opportunities and strengthening export marketing and promotional capacity.

A. Relevant technical cooperation activities of selected United Nations agencies

UNCTAD

42. UNCTAD's technical cooperation programmes in the trade sector encompass several fields of action to help overcome obstacles that impede or negate the trade interests of developing countries. These programmes include: 5/

- Assistance in the formulation of policies that affect trade, including trade in services, and that effectively exploit relationships between trade, technology and finance, and between the evolution of the external environment and the capacities of developing countries to establish effective domestic policies. This would include trade, technology and commodity policies; and improved management of technology flows, finance, development assistance and debt;

- Advisory services and training to exploit trading opportunities under existing trade arrangements and mechanisms, including the GSP and other trade laws, and to overcome tariff and non-tariff barriers, including RBPs;

- Advice and capacity building relating to trade negotiations;

- Assistance to enhance the capacity of developing countries to manage facilities and services related to international trade, including improvement of trade procedures, access to trade information, strengthening of customs administration, financial services including insurance, maritime and multimodal transport, ports, including transit-related facilities;

- Training programmes to build capacities for human resource development in the trade sector;

- Assistance in establishing the institutional and policy framework for facilitating the inflow of foreign direct investment, including advisory services in the evaluation of proposals submitted by foreign companies and the negotiation of contractual arrangements.

43. UNCTAD's technical co-operation is funded by UNDP and by voluntary and trust fund contributions from individual developed and developing countries, financial institutions and development funds.

International Trade Centre UNCTAD/GATT (ITC)

44. ITC works with developing countries to set up effective national trade promotion and export development programmes, to assist in expanding their exports and improving their import operations. This includes: 6/

- Developing a framework for co-operation in trade promotion and export development between the Government and business sectors, including strengthening the organizational structure, strategies and programmes of trade promotion and export development institutions, chambers of commerce and other business organizations; establishing or strengthening essential trade services in areas such as export packaging, export quality management, export finance, export project development, costing and pricing, legal aspects of foreign trade, trade promotion communications, national commercial representation abroad, export-oriented joint ventures, and trade promotion for small and medium-size enterprises, etc.

- Finding market opportunities for export products, both traditional and non-traditional and including commodities; designing and implementing export marketing strategies; adapting and developing new products for export; improving the physical distribution of exports and imports; and promoting exports of technical consultancy services.

- Improving import operations and techniques to optimize scarce foreign exchange resources through effective import management methods; efficient procurement and materials management practices; and import market information.

- Training government officials, business executives and instructors in export and import techniques; strengthening training institutions; and conducting research and development of foreign trade training tool and methodologies.

45. Financing for ITC's technical cooperation activities in developing countries comes from UNDP, other international organizations and voluntary contributions from individual developed and developing countries. Voluntary contributions consist of either trust funds for projects in other countries or funds-in-trust provided for projects in the donor's own country.

UNIDO

46. UNIDO promotes international cooperation on behalf of industrialization on global, regional, national and sectoral levels. It aims at promoting and accelerating industrial development in developing countries. UNIDO's assistance to developing countries includes: 7/

- Advisory assistance to Governments on industrial policy formulation and planning;

- Fostering investment in industry in developing countries through, inter alia, UNIDO's Investment Promotion Service (IPS) Offices in Cologne, Paris, Tokyo, Vienna, Washington D.C., Warsaw and Zurich to facilitate contacts between businessmen and Governments of the developing countries and their counterparts in industry and financial centres in the industrialized world;

- Provision of information, including industrial statistics, studies of particular industries or countries, sources of technological information, patent information, industrial technology and contact with existing networks of institutions and data banks that have technological information;

- A forum for consultations that bring together representatives of Governments, industry and labour unions to exchange information on the global prospects of a particular industrial sector. Major sectors include agricultural machinery, building materials, capital goods, fertilizers, food processing, iron and steel, leather and leather products, petrochemicals, pharmaceuticals, and wood and wood products;

- Assistance to developing countries to identify and quantify their need for people with various levels of skills, the training requirements this implies, and to draw up appropriate policies, and organize specialized programmes, through group training, fellowships and study tours.

47. UNIDO's technical assistance activities are financed mainly by the United Nations Development Programme (UNDP). The Industrial Development Fund (IDF) was established to supplement those funds provided by UNDP. As the chief voluntary fund of UNIDO, IDF receives contributions from Governments, inter- and non-governmental organizations and other non-governmental sources.

FAO

48. FAO's technical assistance and cooperation in support of agricultural development in developing countries relates to the identification, formulation, execution, monitoring and evaluation of programmes and projects in such fields as crops, livestock, research and technology development, nutrition, agricultural policy analysis, fisheries, forestry and natural resources. In particular, assistance includes: 8/

- Advice to Governments on agricultural policy and planning;

- Provision of information - to farmers, scientists, technologists, traders and government planners - on every aspect of agriculture (including production, supply, demand, prices, and technology);

- Investment assistance, through its Investment Centre, to help developing countries find the external capital they need to build up their agriculture, including assistance to both borrowers and financing institutions, and prepare, implement and evaluate projects.

49. Most of the funds available for FAO's technical assistance to developing countries are provided from extra-budgetary resources made available through various arrangements. The main sources of these funds are UNDP and trust funds - which consist of direct contributions from Governments and other institutions.

Other United Nations agencies

50. ILO, UNESCO and other agencies of the United Nations system, including the regional commissions, provide within their respective fields, technical cooperation activities that have a bearing on the overall development of capabilities, including manpower training and education, in developing countries.

B. Adequacy of resources for technical cooperation

51. As already mentioned above, relevant agencies of the United Nations system do not have, for the most part, funds of their own to finance technical cooperation. Rather they act as participating and executing agencies of the United Nations Development Programme (UNDP) which is often their principal source of funds for technical cooperation. Funds from this source are complemented by voluntary and trust fund contributions from individual developed and developing countries. Other sources of funds as well as technical support include multilateral financial institutions (such as regional development banks) and development funds.

52. Although UNDP has accounted for the vast majority of funds available for multilateral technical cooperation, in the immediate past voluntary contributions to UNDP have fallen short of targets, with the result that UNDP resources are on the decline. Trust funds provided by developed countries are also not increasing in real terms. An encouraging development has been the increase in the number of projects financed out of funds made available by the recipient countries themselves. However, given the weak financial situation of many developing countries, particularly the least developed countries, the supply from these sources is inevitably limited.

53. If developing countries, especially the least developed among them, are to meet the challenges posed for their policy makers and business sectors by the continuing globalization of international trade, and to take advantage of trading opportunities, there will need to be a substantial increase in technical cooperation in coming years. More cooperation and better coordination among United Nations specialized agencies and bilateral donors in the provision of technical cooperation assistance in support of well-defined national programmes to enhance export capabilities in developing countries will help to produce better and more rapid results per unit of assistance expenditure.

NOTES

1/ Terms of reference of the Ad Hoc Working Group on Expansion of Trading Opportunities for Developing Countries (TD/B/1323(Vol.II)), part I.C, paras. 1 and 5.

2/ TD/B/39(2)/15-TD/B/WG.4/3, annex II.

3/ TD/B/WG.4/L.6.

4/ Institution building is also required with respect to export promotion and marketing (see chapter III below).

5/ For further details, see: UNCTAD, "Technical cooperation for trade and development", UNCTAD/EDM/JTC/2; and UNCTAD, "Review of the technical cooperation activities of UNCTAD and their financing, annual statistical up-date 1992", TD/B/WP/92.

6/ For further details, see ITC, "Export promotion and marketing", TD/B/WG.4/Misc.11.

7/ UNIDO, "What is UNIDO?"; and UNIDO, "Annual Report of the Director-General for 1992 on the activities of the Organization" GC.5/10 - IDB.11/11.

8/ FAO, "What it is, what it does"; and FAO, "Yearbook of Field Projects, 1992".